

Message Text

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ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01
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FM AMEMBASSY CAIRO
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UNCLAS CAIRO 4684

C O R R E C T E D C O P Y (TEXT)

EO 11652: NA
TAGS: EFIN
SUBJ: PRESS REPORTS ON TAX REFORM

REF CAIRO 4382,

1. AS TAX REFORM SLOWLY APPROACHES REALITY, GOE HAS MADE AVAILABLE FURTHER INFO ON AMENDMENT PROVISIONS UNDER CONSIDERATION AND APPARENTLY TO BE INCLUDED IN FINAL PACKAGE. LARGE NUMBER OF CHANGES, REPORTED IN CAIRO PRESS MARCH 18, SEEMINGLY RELATE TO MASS OF EXCEPTIONS TO TAXES, SOME OF WHICH EVIDENTLY ARE OF SIGNIFICANCE, OTHERS NOT.

2. AMENDMENT MOST CAPABLE OF INTERPRETATION ON BASIS THIS RECENT INFO CONCERNS TAX ON INCOME FROM WAGES, SALARIES, INDEMNITIES AND PENSIONS (NOT TO BE CONFUSED WITH GENERAL INCOME OR PROFESSIONAL INCOME TAX). BASIC DEDUCTION REPORTEDLY WILL BE RAISED FROM PRESENT RANGE OF LE 240 - LE 360 PA, DEPENDING ON FAMILY STATUS, TO LE 360 - LE 500. TAX RATE ON ANNUAL INCOME ABOVE THOSE LEVELS WILL BE ON GRADUATED
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BASIS FROM TWO TO 22 PERCENT, AS IS CASE NOW.

3. CURRENT PRESS REPORTS DO NOT ADDRESS GENERAL INCOME TAX WITH RATES UP TO 95 PERCENT OF INCOME OVER LE 10,000 PA (WITH BASIC LE 1200 DEDUCTION). WE HAVE HEARD REPORTS EARLIER, HOWEVER, THAT CONFISCATORY ASPECTS OF THIS BLANKET LEVY ON ALL INCOME BEYOND SPECIFIC DIRECT TAXES WILL BE MITIGATED

CONSIDERABLY IN NEW LEGISLATION.

4. NUMEROUS TAX EXEMPTIONS, MENTIONED ABOVE, APPARENTLY HAVE PURPOSE OF PROVIDING ECONOMICALLY IMPORTANT INCENTIVES IN SOME CASES. POULTRY AND LIVESTOCK PROJECTS REPORTEDLY WILL RECEIVE FIVE-YEAR TAX HOLIDAYS; NEWLY-ESTABLISHED PROFESSIONALS WILL HAVE SIMILAR THREE-YEAR TAX-FREE PERIOD; PRIVATE SECTOR ESTABLISHMENTS REPORTEDLY ARE TO BE RELIEVED OF TAX WITHHOLDING REQUIREMENT; CONCESSIONS ARE GRANTED TO (VERY) SMALL BUSINESSES ON TAX LEVIES, ETC. OTHER BITS AND PIECES OF INFO INCLUDE REPORTED TAX EXEMPTION OF EGYPTIAN PROJECTS ESTABLISHED UNDER "DEVELOPMENT PLAN", A POTENTIALLY SIGNIFICANT POINT IF IMPLEMENTED, AND EXEMPTION FROM COMMERCIAL AND INDUSTRIAL PROFITS TAXES OF BEEHIVE CULTIVATORS, A MEASURE OF SOMEWHAT LESS SIGNIFICANCE.

5. TIMING IS UNCERTAIN ON PULLING TOGETHER VARIOUS PROPOSALS AND SUBMITTING LEGISLATION TO PEOPLES ASSEMBLY. MOST RECENT PRESS REPORT WE HAVE SEEN (AHAM, MARCH 16) INDICATES CABINET CONSIDERATION WILL BE FORTHCOMING SOON AND PEOPLES ASSEMBLY DEBATES ON MEASURE WILL BEGIN BY END OF THIS MONTH. WHETHER THIS PROVES TO BE CASE OR NOT, PUBLICITY BEING ACCORDED THIS PARTICULAR REFORM MOVE SEEMS TO BE PICKING UP.
MATTHEWS

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